*Zambezia* (1993), XX (i).

# THE RICH SHALL INHERIT THE EARTH: TOWARDS AN ANALYSIS OF THE ROLE AND IMPACT OF IMF STRUCTURAL ADJUSTMENT PROGRAMMES IN SUB-SAHARAN AFRICA

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**Abstract**

*'The rich shall inherit the earth' analyses the role and impact of International Monetary Fund (IMF) Structural Adjustment Programmes in Sub-Saharan Africa and argues that the programmes are mis-targeted, ineffectual and harmful to these countries. It contends that IMF programmes in Sub-Saharan Africa have resulted in reduced incomes, increased poverty, deteriorating social conditions, reduced growth potential and the deepening of dependency. Moreover, IMF austerity regimes worsen the conditions of the poor through,* inter alia, *growing unemployment, declining incomes, escalating prices for basic commodities and declining access to medical and educational facilities. The* laissez-faire *ideology which the IMF promotes benefits the industrialized countries at the expense of the societies and economies of developing nations. The study recommends that ruling élites re-think their development strategies in order to reduce balance-of-payments problems, minimize external borrowing, use available resources responsibly and thus avoid the need for IMF-type adjustment programmes.*

In October 1990 Zimbabwe embarked upon its Economic Structural Adjustment Programme (ESAP), becoming one among five dozen countries, many of them in Sub-Saharan Africa, who have turned to the IMF[1] for funds to revive their economies and resolve their balance-of-payments problems. Zimbabwe's involvement with the IMF comes at a time when the role of the IMF in developing countries is becoming more and more controversial as its critics charge it with acting as an agent of Western imperialism which seeks to reinforce neo-colonialism and dependency in the developing world.[2]

[1] While this article concentrates on the International Monetary Fund, it should be noted that IMF structural adjustment programmes are designed jointly by the IMF and the World Bank. In addition, the World Bank runs its own adjustment programmes which are funded through its Structural Adjustment Loans (SALs). Comments advanced in this study on IMF adjustment programmes thus apply equally to World Bank programmes.

[2] Critics of the IMF include the following: C. Payer, *The Debt Trap: The International Monetary Fund and the Third World* (New York, Monthly Review Press, 1974); C. Payer, 'The IMF and India', in J. J. Havnevik (ed.), *The IMF and the World Bank in Africa: Conditionality, Impact and Alternatives* (Uppsala, Scandinavian Institute of African Studies, 1987); J. Roddick, *The Dance of the Millions: Latin America and the Debt Crisis* (London, Latin American Bureau, 1988); D. Nabudere, *Imperialism in East Africa: Vol. I* (London, Zed, 1987); D. Nabudere, *The Political Economy of Imperialism* (London, Zed, 1977).



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Criticisms of the IMF focus mainly on the ideological underpinnings of the IMF structural adjustment strategy, the harsh conditions that always accompany the implementation of IMF programmes and the negative impact of IMF programmes on the economies of developing countries in general and the poor in these countries in particular. On the other hand, supporters of the Fund hail it as an agent of economic development and a saviour of those countries facing serious balance-of-payments problems.[3]

Developing countries criticize the IMF not because it is a harbinger of painful austerity programmes — the need for austerity measures to solve economic problems is not at issue here — but because its version of austerity is perceived as one designed to benefit the powerful industrialized countries at the expense of the economies and peoples of the developing nations. This view was clearly articulated by the former President of Tanzania, Julius Nyerere, in a speech in 1987 when he declared that the IMF was not 'a friend of poor countries' but an 'organization that is used by imperialist countries, which actually run it, to control the economies of poor countries and to destabilize governments of the countries they despise'.[4]

The IMF's agenda, it is argued, is demonstrably injurious to both the short- and long-term interests of the poor nations, especially since the ultimate result of the IMF's adjustment programmes is not to promote economic independence and autonomous development but to tighten the industrialized nations' grip on the resources of the recipient countries. The IMF is also charged with deliberately promoting the redistribution of such wealth as the poor may have to the rich within the recipient countries and thus intensifying the power of those classes which have traditionally collaborated with the industrialized countries in exploiting their own societies.[5]

Critics of the IMF point out that industrialized nations — particularly the United States, which established the IMF and its sister organization, the World Bank, at the post-Second World War Bretton Woods Conference — were determined, through these institutions, to promote the principles and practices of economic liberalism that would advance their economic interests throughout the world. These critics are disturbed by the *laissez-faire* or free-market principles that the IMF champions, especially since these are the same ideological tenets that have, for centuries, facilitated the exploitation of the developing countries and have condemned the

[3] R. Jefferies, 'Urban popular attitudes towards the Economic Recovery Programme and the PNDC government in Ghana', *African Affairs* (1992), XIX, 207–26.

[4] Economist Intelligence Unit, *Tanzania and Mozambique: Country Report* (1987), ii, 2.

[5] F. Cheru, *The Silent Revolution in Africa: Debt, Development and Democracy* (London, Zed, 1989), 62.

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majority of the world's population to poverty and marginality in world affairs.[6]

## OBJECTIVES AND METHODOLOGY

In this article I seek to make a modest contribution to the growing debate on the IMF and its role in the developing countries by analysing the experience of certain selected countries in Sub-Saharan Africa under the IMF regime. The study begins with a critical analysis of IMF adjustment packages for developing economies. Thereafter, using data from, and the experiences of, these Sub-Saharan countries I attempt to evaluate the impact of IMF programmes on these countries in general and the poor of those countries in particular. Finally, I will draw some general conclusions based on my findings.

Because of the disparities in living standards in the various countries that will be examined and because income and poverty datum levels (PDLs) are likely to differ from country to country it would be futile to attempt to define 'the poor' precisely in dollar terms. For the purposes of this study, therefore, the poor are broadly defined as those groups who comprise the majority of the populations of Sub-Saharan Africa, those who are commonly referred to as 'low-income groups', that is, those whose incomes are at the lowest end of the national scale.

## ROOTS OF IMF INTERVENTION IN SUB-SAHARAN AFRICA

The IMF's major role in recent times has been one of providing short-term loans to countries facing a balance-of-payments disequilibrium to help tide them over until they can balance their external accounts. IMF loans are designed to assist countries facing such crises so that they do not have to resort to devaluation, import restrictions and other measures considered injurious to free global trade and investment flows.[7] While a number of industrialized countries have borrowed from the IMF from time to time, it has been the developing countries which have repeatedly requested the Fund for assistance. This can be explained by the chronic balance-of-payments disequilibrium that continues to plague developing countries — which have been caused by a number of factors, both internal and external.

[6] S. Krasner, *Structural Conflict: The Third World against Global Liberalism* (Berkeley and Los Angeles, Univ. of California Press, 1985), 136. Krasner writes: 'The conditions imposed by the Fund are strongly influenced by conventional market principles. The Articles of Agreement state that the Fund should defend a liberal open economic order.'

[7] G. K. Helleiner, *The IMF and Africa in the 1980s* (Princeton, Princeton Univ., International Finance Section No. 152, 1983), 7.

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Balance-of-payments disequilibrium is caused by, among other factors, overly ambitious government expenditure programmes which lead to excessive borrowing, investment of borrowed resources in projects that have inadequate rates of return, lack of central control and monitoring of the contracting of external debt, and problems caused by domestic policies and exogenous factors, or both, that reduce the foreign-exchange resources available and constrain the country's ability to meet its contractual obligations on its outstanding external debt.[8] These and other factors have played a leading role in creating balance-of-payments crises in Sub-Saharan Africa.

External causes have ranged from declining markets, deteriorating terms of trade and high interest rates to the high oil prices of the 1970s. The fall in the terms of trade for Sub-Saharan countries in the 1970s and 1980s was so drastic that the IMF itself characterized the fall as 'brutal'.[9] Not only were the countries of the region obliged to export more of their products to earn progressively less in foreign currency, but the dramatic rise of their oil import bill following OPEC's price increases in the 1970s drained what limited foreign currency reserves they had, leaving them in a situation in which they could not meet their international trade and debt obligations. Natural calamities such as droughts together with incessant armed conflicts in various countries have also contributed to the economic problems of many Sub-Saharan African nations.

Internal factors include sheer incompetence and gross mismanagement of the economy by the ruling élites, embezzlement of funds, misallocation of resources (for example, in 'white elephant' prestige projects which do not contribute to economic development), conspicuous consumption patterns by the ruling classes and the pursuit by the élite of a development strategy unsuited to the capacity and needs of the nation. Examples abound of loan funds being used to build stadiums, conference centres and other prestige projects which have no economic significance, and of national financial resources being siphoned into foreign (particularly Swiss) bank accounts. For example, the family of the Zaïrean president, Mobutu, appropriated about US$71 million from the National Bank in 1977 and about US$14 million in the first quarter of 1979. By plundering the state coffers, Mobutu has become one of the world's wealthiest heads of state,

[8] B. Nowzad, 'Some issues and questions regarding debt of developing countries', in T. Killeck (ed.), *Adjustment and Financing in the Developing World: The Role of the International Monetary Fund* (Washington DC, IMF, 1982), 155–69.

[9] International Monetary Fund, *World Economic Outlook: A Survey by the Staff of the International Monetary Fund* (Washington DC, IMF, Occasional Paper 9, 1982), quoted in Helleiner, *The IMF and Africa in the 1980s*, 3.

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with assets estimated at between US$4 000 million and US$5 000 million, including residences in France, Belgium and Switzerland.[10]

In Zimbabwe certain members of the ruling élite have also taken advantage of their positions of trust and have lined their pockets at the expense of the more pressing needs of the majority of the people. Corruption in high places, as exposed in the 'Willowgate' scandal, compounded with the extravagant use of national wealth in constructing white-elephant projects such as the minimally-used National Sports Stadium, have placed heavy strains on the economy.[11] Meanwhile, the government's socialist rhetoric, often contradicted by the openly bourgeois life-style of some government ministers, added to the economic problems of the country by discouraging investment and encouraging capital flight. An unusually large and unproductive bureaucracy absorbed a great amount of public funds, while the government's populist policies, emphasizing redistribution and consumption rather than the creation of new wealth, inhibited meaningful economic development.[12]

In addition to the irresponsible excesses of the élite outlined above one must also consider the fact that the ruling groups in most developing countries favour a costly and inappropriate development strategy. In their bid to 'catch up' with the West, élites in the developing countries tend to rely on externally-funded development strategies which make use of expensive technologies funded through external borrowings. As a result, developing countries have, sooner or later, found themselves facing serious balance-of-payments problems.

Unable to pay back their debts at ever-mounting interest rates (in 1991, Sub-Saharan countries owed no less than US$175 000 million), strapped for foreign currency with which to continue normal trading, unable to secure more loans because of earlier defaults and facing acute balance-of-payments problems, developing countries are left with no choice but to approach the IMF for financial help. Since the 1970s the queue of Sub-Saharan countries knocking on the door of the IMF for help has grown steadily longer.[13]

[10] W. J. Leslie, *World Bank and Structural Transformation in Developing Countries: The Case of Zaire* (Boulder, Lynne Rienner, 1987), 68–75.

[11] Details of the 'Willowgate' scandal may be found in Zimbabwe, 'Report of the Commission of Inquiry into the Distribution of Motor Vehicles' [Chairman: W. R. Sandura] (Harare, Govt. Printer, 1989) and Zimbabwe, 'Report of the Second Commission of Inquiry into the Distribution of Motor Vehicles' [Chairman: W. R. Sandura] (Harare, Govt. Printer, 1989). Among other expensive projects undertaken since Independence which have been criticized are the Harare International Conference Centre and the Heroes' Acre.

[12] Admittedly, some re-distribution of wealth was necessary to correct the imbalances inherited from the colonial era. Such redistributive measures were not, however, always complemented by effective and meaningful efforts to increase national wealth.

[13] M. B. Brown and P. Tiffen, *Short Changed: Africa and World Trade* (London, Pluto, 1992), 5.

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## IMF CONDITIONS: A CRITIQUE

Borrowing from the IMF, however, is a costly exercise both in the short and long term, mainly because of the conditions which accompany any IMF loan. Before the IMF extends a loan, it requires that the potential borrower sign a Letter of Intent agreeing to implement a number of IMF-designed economic reforms. Initial and subsequent financial support from the Fund is conditional upon the borrowing country adhering strictly to the terms and conditions laid out in the Letter of Intent. It is these conditions which have made the IMF a resented institution in the developing countries.

The standard IMF package requires that the borrowing country undertake measures to restructure its economy through, *inter alia*, demand management, currency devaluation, trade liberalization, elimination of price controls, reduction of budget deficits through, among other things, removing government subsidies on a variety of consumer goods and raising interest rates to their natural market levels to discourage capital flight. Other requirements are that governments should reduce state investment in the economy, privatize public corporations such as parastatals and open up the local economy to foreign investment.[14]

This IMF recipe, which is applied to all countries needing IMF funding regardless of the different circumstances of each country or the varied nature of the cause of the balance of payments disequilibria, has been widely criticized. Doubts have been raised as to whether IMF packages are always appropriate in every case. In the words of former Zambian President Kenneth Kaunda, 'the IMF does not care whether you are suffering economic malaria, bilharzia or broken legs. They will always give you quinine.'[15]

To criticize the IMF for being insensitive to the specific circumstances of given countries is, however, to miss the point. Such criticism assumes that the intention of the IMF is indeed to provide a solution tailor-made for each country in order to help it to become economically independent. However, as has been argued above, the IMF is primarily interested in ensuring the continued existence of a specific type of international economic order based on the free operation of the global capitalist system according to the principles of economic liberalism. Given this fact, its strait-jacket approach to global economic problems is not particularly remarkable.

However, the Fund can be criticized for its unwavering adherence to management prescriptions which set out to cure the symptoms rather than the disease. The problems that face developing countries are not

[14] J. Loxley, 'The IMF, the World Bank and Sub-Saharan Africa: Policies and Politics', in Havnevik (ed.), *The IMF and the World Bank in Africa*, 47–64; Helleiner, *The IMF and Africa in the 1980s*, 8; Roddick, *The Dance of the Millions*, 45.

[15] F. Cheru, *The Silent Revolution in Africa*, 37.

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those of excessive demand but of insufficient production. Developing countries resort to importing food and manufactured commodities not because demand for those commodities is too great for the otherwise adequate local supply but because local farmers and industrialists do not produce enough to meet mass demand for essential products. While IMF measures to curtail local demand might indeed help to balance the recipient country's external account, such prescriptions offer only a palliative and not a cure because they do not address the real source of the problem.

A more fundamental criticism of the IMF's programmes is that they worsen rather than improve the recipient countries' economic situation. Stewart's study reveals that Latin American and Sub-Saharan African countries which implemented the IMF's structural adjustment programmes in the 1980s 'found themselves with reduced real incomes, increased poverty, deteriorating social conditions, reduced growth potential and often with no significant improvement in their external accounts'.[16]

Sudan's experience during its adjustment period (1977–1984) corroborates Stewart's conclusions. By all economic indicators, Sudan's economy was worse off in 1984 than it had been in 1977. In the eight years of the IMF regime, Sudan's current account deficit increased from 6 per cent of GDP in 1977/8 to 11 per cent in 1983/4, the total foreign debt increased from US$2 000 million to US$86 000 million and the debt-service ratio rose from 19 per cent in 1978 to over 150 per cent in 1984.

Other indicators of the poor performance of the Sudanese economy include the steady depreciation of the Sudanese pound to 27 per cent of its 1978 value, the decline of GDP per capita from US$483 in 1977 to US$344 by 1984, the rise in the annual rate of inflation from 20 per cent in 1977 to over 40 per cent in 1983, and an increase in the government's budgetary deficit from 5 to 9 per cent of GDP. In addition, Gross National Savings fell from 2 per cent to 0,3 per cent of the GNP in the same period.[17]

A 1989 United Nations Economic Commission for Africa report cast serious doubt on the efficacy of IMF/World Bank structural adjustment programmes in Sub-Saharan Africa by demonstrating that in the period 1980 to 1987, non-adjusting countries experienced economic growth while the economies of the strong adjusters actually declined. The Commission's findings are presented in Table I which clearly shows that IMF programmes have not promoted economic growth in Sub-Saharan Africa.

The IMF always insists on liberalization of trade through the removal of exchange and import controls. As Payer notes, this is a strange

[16] F. Stewart, 'Should conditionality change?', in Havnevik (ed.), *The IMF and the World Bank in Africa*, 29–45.

[17] R. Brown 'The rationale and effects of the IMF stabilization programme in Sudan', in B. Campbell (ed.), *Political Dimensions of the International Debt Crisis* (London, Macmillan, International Political Series, 1988), 28.

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*Table I*

AFRICAN ECONOMIC GROWTH, 1980–1987

| *Country* | *1981* % | *1982* % | *1983* % | *1984* % | *1985* % | *1986* % | *1987* % | *Average* % |
|---|---|---|---|---|---|---|---|---|
| | | | | *(1980 = 0)* | | | | |
| Strong adjusters | –3,01 | 0,33 | –3,85 | –4,31 | 6,33 | 2,82 | –1,97 | –0,53 |
| Weak adjusters | 5,44 | 3,46 | 0,66 | –1,29 | 0,13 | 4,01 | 1,88 | 2,00 |
| Non-adjusters | 3,92 | 3,35 | 3,53 | 3,68 | 6,40 | 3,62 | –2,51 | 3,50 |

*Source*: World Bank Data files quoted in United Nations Economic Commission for Africa, *Statistics and Policies: ECA Preliminary Observations on the World Bank Report: Africa's Adjustment and Growth in the 1980s* (Addis Ababa, United Nations Economic Commission for Africa, 1989).

requirement since developing countries impose exchange and import controls precisely to conserve scarce foreign currency resources.[18] To prescribe the removal of such controls to a country which is already suffering from a scarcity of foreign exchange — which is why the IMF loan was necessary in the first place — is, in effect, to accelerate the loss of foreign currency and to ensure that what may have been a temporary ailment becomes a chronic or terminal disease. The only countries likely to benefit from such a measure are the recipient country's trading partners, not the country itself.

Furthermore, liberalization of trade leads to a flooding of the local market by cheaper imported goods which ultimately destroy local businesses whose prosperity depends on the availability of a protected market. In Tanzania, for example, the Minister for Local Government, Paul Bomari, was forced to call for the protection of local industries after receiving complaints from the KIBO Match Corporation that it had been forced to reduce production because the government was allowing the import of foreign matches.[19] While it may be true that protected markets may promote inefficiencies in business operations, it remains to be proved that the death of indigenous enterprise as a result of unrestricted competition from more developed countries is a better alternative in the long run.

In any case, the recent Japanese and Korean economic successes show that countries do not have to follow IMF liberalization prescriptions to develop their economies. According to the World Bank's reports, the Japanese Ministry of Trade and Industry used every interventionist trick in the book to transform the Japanese economy. Measures used ranged from import restrictions, foreign-exchange control and protection of local

[18] Payer, *The Debt Trap*, 33–4.

[19] Economist Intelligence Unit, *Tanzania and Mozambique: Country Report* (1987), ii, 15.

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industries to selective nationalization of key economic sectors. World Bank experts themselves acknowledge that Korea's success was not achieved by a close adherence to the principles and practices of neo-classical economics based on the operation of unimpeded free-market forces but through the use by Korean authorities of the 'entire register of policy instruments' of planned economies. The Korean strategy 'broke every single one of the commandments' prescribed by the IMF and World Bank for Africa.[20] Why the strategy that the experts acknowledge was highly beneficial for Korea is considered to be extremely harmful for Africa has not been fully explained by IMF experts.

If liberalization is harmful, devaluation is even more deleterious to the recipient countries. The IMF argues that a devaluation of a country's currency makes its exports cheaper and therefore more attractive to foreign buyers. A country which increases its exports, it is argued, must of necessity increase its foreign currency earnings. Is this in fact true? Evidence suggests otherwise. Because of the ever-deteriorating terms of trade for primary products, the reduction in the value of a nation's currency may indeed lead to an increase in the external demand for its products but without necessarily increasing its net earnings. According to one study, Latin America increased its export volume by 7 per cent between 1980 and 1984, but export revenue on each unit exported actually fell by 6,5 per cent during the same period.[21]

In any case, given the fact that developing countries tend to produce similar products for the same market and that IMF structural adjustment programmes are implemented in many developing countries at the same time, the competitive edge which is supposed to result from devaluation is nullified by the fact that many producers of the same commodity (which has now been made cheaper through the devaluation exercise in each country) sell their product in the same market, resulting in intense competition among them and exerting downward pressure on prices in the international market. The gains that are supposed to accrue to countries through devaluation may thus turn out to be more imaginary than real.

Another problem with the devaluation strategy is that while the prices of the country's exports fall the cost of acquiring manufactured inputs from the industrialized countries continues to rise, making it increasingly impossible for domestic consumers to afford imports. For example, in 1972 Tanzania could buy a seven-ton truck for 38 tonnes of sisal: 10 years later Tanzania had to pay 134 tonnes of sisal for the same type of truck.

[20] World Bank, 'Capital Accumulation and Economic Growth: The Korean Paradigm' (Washington DC, World Bank, Staff Working Papers 712, 1983), quoted in Brown and Tiffen, *Short Changed*, 14–16.

[21] Roddick, *Dance of the Millions*, 87.

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Kenya's terms of trade for its tea and coffee exports fell so dramatically between 1960 and 1980 that in 1980 Kenya had to export 40 per cent more tea and coffee in order to import the same amount of machinery and fuel as it had imported in 1960.[22]

The IMF's emphasis on trade liberalization and expansion of export production has disturbing implications on the future role of the developing countries in the international economic system. The IMF's measures are predicated on its belief that the economic problems of developing countries stem from insufficient exposure or openness to international influences and forces. It insists, therefore, that opening up a country's economy is the crucial first step on the road to economic recovery and development. Most developing countries would not agree with this analysis, for they would maintain that their problems are precisely the result of the fact that their economies have always been too open to Western influences and forces.

There is an abundant literature showing how the developing countries were incorporated into the evolving world capitalist system as sources of raw materials and consumers of finished products. The international division of labour, which evolved over centuries and is characterized by the pervasive penetration of Western capital into the countries of Africa, Asia and Latin America, underdeveloped these countries while promoting the rapid development of the economies of the industrialized countries of North America and Western Europe.[23] The IMF's emphasis on developing the agricultural export sector thus reinforces the status quo and ensures that developing countries will remain as suppliers of raw materials to the developed world. As Payer notes, countries which implement IMF programmes are ultimately 'thrown back into the very economic pattern they were trying to escape from' and find that their efforts are rewarded 'not with a healthy and diversified economy and a better life for its citizens, but with temporary relief for immediate payments difficulties'.[24]

The export-led growth strategy promoted by the IMF is ultimately disastrous for developing countries, especially in the light of advances in biotechnology which produce substitutes for primary products, thereby eroding Africa's share of the world market. Biotechnology is gradually 'changing the whole nature of the market for commodities', and is giving

[22] B. Davidson, 'Africa in historical perspective', in *Africa South of the Sahara 1987* (London, Europa, 1986), 15, and D. Hubbard, 'Economic trends in Africa, 1986', in Ibid., 51.

[23] There is a vast array of works on this subject, among which are the following: A. G. Frank, *Capitalism and Underdevelopment in Latin America* (New York, Monthly Review Press, 1967); W. Rodney, *How Europe Underdeveloped Africa* (Washington, Howard Univ. Press, 1974); I. Wallerstein, *The Modern World System: Capitalist Agriculture and the Origins of the European World System in the Sixteenth Century* (New York, Academic Publishers, 1974).

[24] Payer, *The Debt Trap*, 46.

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manufacturers much greater flexibility in their choice of primary commodity inputs. It is already evident that the days of manufacturers' reliance on one or two sources of primary products are numbered.[25] Given this scenario, should Africa's future really be dependent on producing more of the same traditional primary commodities or is Africa soon to find its products irrelevant to the needs of the global market?

In any case, export-led growth strategies are being championed at a time when protectionism is on the rise in the industrialized countries. The setting up of trade blocs such as the European Economic Community and the recently established North American Free Trade Area means that, just as the developing countries are moving towards free trade, the industrialized countries are becoming more restrictionist.[26]

Furthermore, the emphasis on export production in order to maximize foreign earnings has a negative impact on both local food production and indigenous manufacturing enterprises. Because exports pay well and provide access to the much-prized foreign currency, agriculturalists concentrate on cash-crop production for export rather than food crops for domestic consumption. The concentration on export production also weakens the peasant sector as large-scale mechanized plantations producing high-quality cash crops — to be consumed in Paris, New York and London — expand, displacing small-scale peasant farmers in the process.

The Sudanese experience clearly shows the negative impact of export-promotion strategies on domestic food production. After the introduction of the IMF structural adjustment programme in Sudan in 1978, the Sudanese government embarked on a massive capital-intensive agricultural project code-named the 'Breadbasket Plan'. The emphasis on the production of cotton and grain under this plan had two very negative effects on the Sudanese economy and society. One result was the progressive redistribution of land from the small-scale producers to the wealthy classes (traders, military officials, large landowners and agricultural businesses) which could afford the huge capital inputs required under the Plan. Small-scale producers were pushed off the land. Secondly, food production for local consumption fell sharply with the result that by the time of the 1983 famine, Sudan was not in a position to avert or minimize the crisis.[27]

In industry, the emphasis on exports means supporting large industries which have the foreign connections and capability to penetrate Western markets. Small industries which lack the necessary capital resources, the expertise and sufficient knowledge of international markets cannot switch over easily from producing for local consumption to servicing the export

[25] Brown and Tiffen, *Short Changed*, 32.

[26] Standard Chartered Bank, *Africa Quarterly Review* (1992), i, 5.

[27] J. Predergast, 'Blood money for Sudan: World Bank and IMF to the rescue', *Africa Today* (1989), XXXVI, iii/iv, 44.

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market and are likely to be squeezed out by their competitors. They need a prosperous domestic market in order to survive and yet it is exactly this domestic market which IMF programmes destroy through wage cuts, high taxes, high interest rates, price increases and removal of subsidies on basic consumer goods.

High interest rates and credit restrictions, which are the hallmark of IMF programmes, give multinational corporations a distinct advantage over small-scale local businesses in securing scarce credit for business operations. Because of their size and financial muscle, multinational corporations can either borrow locally at prevailing interest rates or secure the necessary funding from parent companies abroad. They will thus be able to survive the credit squeeze, whereas the local companies find it difficult, if not impossible, to borrow and must either curtail or cease their operations.

The cost of borrowing money at home becomes prohibitive at the very time that local companies are expected to revamp their operations in order to produce products acceptable to consumers in the developed world in equal competition with established international companies. This is a daunting task for even the most determined and enterprising small business operator. Indeed, by October 1992 the Confederation of Zimbabwe Industries was already complaining that the government's tight monetary policy was forcing non-exporting companies to the wall.[28]

With respect to the balance-of-payments situation which the IMF claims to correct through its austerity measures, there is little evidence to show that IMF programmes are effective in this area. Rather than achieving substantial reductions in their current account deficits and total foreign debt levels, both Sudan and Tanzania recorded escalating deficits and debt burdens under the IMF structural adjustment regime. As already shown, Sudan's current account deficit increased from 6 to 11 per cent between 1977 and 1984. Similarly, Tanzania's current account deficit increased from US$302 million in 1984 to US$425 million in 1990 while its overall debt rose from US$2 743 million to US$5 866 million in the same period.[29] It is clear from the above that IMF schemes are neither effective nor appropriate in remedying the problems they are supposed to solve.

To conclude this section, the observations of Payer are instructive on the net results of IMF programmes; he writes:

The programmes result, typically, in the take-over of domestically owned businesses by their foreign competitors. The stabilization programme puts the squeeze

[28] Economist Intelligence Unit, *Zimbabwe: Country Report* (1993), i, 13.

[29] Brown, 'IMF Stabilization Programme in Sudan', 28; Economist Intelligence Unit, *Tanzania and Mozambique: Country Report*, information compiled from various years between 1984 and 1990.

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on domestic capitalists in several ways. The depression which it causes cuts deeply into their sales. Devaluation raises the costs, in local currency, of all imports needed for their business, and of all the unpaid debts resulting from past imports. This, a severe blow in itself, is compounded by the fact that the contraction of bank credit makes it more difficult than before to get the loans they need to carry on operations. Finally, the liberalization of imports robs them of the protected markets they had enjoyed before.[30]

## THE IMF AND THE POOR

Defenders of the IMF claim that its programmes are necessary to make the economy more efficient and responsive to market demand, and that protected markets, government subsidies, price controls and other non-market mechanisms create distortions in the economy. From a classical liberal economic point of view, this is sound reasoning. What the proponents of IMF-promoted free-market economies do not address, however, is the question: efficiency for whose benefit? Which groups shoulder the burdens of structural adjustment and which enjoy the fruits? Who pays both in the short term and in the long run?

The IMF has repeatedly been charged with worsening the living conditions of the poor and redistributing resources and income to the already powerful and the rich. Indeed, F. Cheru has labelled the IMF and the World Bank 'enemies of the poor'.[31] The IMF response has been two-fold. Its first defence is that the organization does not concern itself with how governments distribute the burdens of adjustment. It merely advises governments on how much spending has to be cut, but it is up to the borrowing government to decide where those cuts are to be made. According to one IMF official, 'imposing our own income distribution objectives on other countries may be considered as infringing on the prerogatives of sovereign governments'.[32] This is as a good example of double-talk as any since IMF conditions amount in fact to dictating to the recipient country how to organize its finances.

In response to the IMF claim that it is neutral on the issue of the distribution of burdens, Payer writes:

> This is simply a lie. The IMF has quite definite ideas about who should bear the burden of spending cuts — also definite ideas that wages should be repressed and social spending curtailed while tax concessions are given to foreign investors and laws are changed if necessary to facilitate foreign participation in the economy.

[30] Payer, *The Debt Trap*, 41.

[31] Cheru, *The Silent Revolution in Africa*, 67.

[32] L. M. Goreaux, 'Responses by representatives from the IMF and the World Bank', in Havnevik (ed.), *The IMF and the World Bank in Africa*, 85–92.

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Payer argues that the IMF ensures that the wealthy, those who enjoyed the fruits of earlier borrowing and who are responsible for the accumulated foreign debt, do not suffer from the negative impact of the adjustment exercise. The IMF targets the poor who have not been 'responsible for the debt buildup, those who have gained the least or nothing' from past borrowing but who must shoulder the burdens of the adjustment programme.[33]

Occasionally, the IMF admits that certain groups do indeed suffer as a result of the adjustment exercise. For instance, one IMF official stated:

> It has been said that Fund programs have the effect of worsening the situation of the urban poor and it is true that the elimination of food subsidies has often had this effect. But the great majority of the African population live in rural areas. The reduction of subsidies on imported food in urban areas has the effect of improving the terms of trade of the rural population in relation to the urban population, and the rural poor are often poorer than urban poor.[34]

What are we to make of the above statement? That it is fine for the poor to suffer as long as it is only the urban poor who do so? If so, in what way have the urban poor been responsible for the economic crisis that they should be so heavily penalized?

Evidence shows quite clearly that the negative impact of IMF reforms is most pronounced on both the urban and rural poor in recipient countries. A 1990 World Bank study defined individual well-being as a product of a range of factors, including adequate consumption of goods and services, health, status, achievement and security, adding that 'because most of these factors can be attained in the market, available income will generally determine access to them and this is the most commonly used measure of well-being'.[35] In order to appreciate what IMF programmes mean for the lower income groups of the recipient countries, it is necessary to analyse the programmes' impact on real incomes, standards and cost of living, access to health and educational services and employment opportunities in certain Sub-Saharan African countries implementing IMF prescriptions.

Following the introduction of IMF austerity measures in Zambia, workers' real incomes declined drastically in the 1980s. By 1985, government-stipulated minimum wages had fallen to less than one-third of their real 1975 levels. In 1986, inflation reached 65 per cent compared to a 40 per cent increase in annual earnings for most workers. This represented a 25 per cent reduction in real incomes for those working in the formal

[33] Payer, 'The IMF and India', 66–7.

[34] Goreaux, 'Responses by representatives from the IMF and the World Bank', 87.

[35] World Bank, *The World Development Report, 1990* (Washington DC, World Bank, 1990), 178.

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sector during that year. In the period 1981 to 1989 average per capita income declined from US$685 to US$240.[36] Indeed, as Table II shows, workers' real income declined 58 per cent between 1984 and 1990 even though wages rose nine-fold in nominal terms.

*Table II*

AVERAGE WAGES IN ZAMBIA 1984–1990 (1983 = 100)

| *Year* | *Nominal wage (ZK)* | *Real wage (ZK)* |
|---|---|---|
| 1984 | 112,0 | 93,2 |
| 1986 | 170,8 | 68,3 |
| 1988 | 301,0 | 54,0 |
| 1990 | 913,0 | 41,6 |

*Source*: Zambia, *Report of the Commission of Inquiry into Prices and Incomes* (Lusaka, Govt. Printer, 1991), quoted in Standard Chartered Bank, *Africa Quarterly Review* (1992), i, 22.

In Zimbabwe, a survey conducted by the International Research and Development Centre in 1993 discovered that, for lower-income workers living in Kambuzuma, Harare, wage levels lagged far behind the 45 per cent increase in the cost of living between July 1991 and July 1992, resulting in a decline of 35 per cent in real income.[37] Similarly, following Mozambique's implementation of IMF adjustment measures, living standards plummeted by more than 8 per cent between 1990 and 1992.[38] To make matters worse, the decline in real incomes occurred at a time of rising prices for basic commodities as a result of a combination of factors that included high levels of inflation accompanying IMF adjustment programmes, the dwindling purchasing power of the local currency due to IMF-induced devaluations and the removal of price controls by the recipient governments. Commenting on this phenomenon in 1990, the Economic Intelligence Unit stated that in Zambia in 1989 after the removal of price controls

> prices have rocketed, pushing the inflation rate over the 100 per cent mark by the end of the year. Wage increases have not been sufficient to compensate, and with average salaries still in the ZK200–800 a month range, meat is now about ZK125/kg. Even spinach . . . costs ZK15/kg.

The escalation in food prices was such that farmers were reported to be 'throwing away eggs because people could not afford to buy them'.[39]

[36] Standard Chartered Bank, *Africa Quarterly Review* (1992), i, 22.
[37] Reported in *The Daily Gazette* [Harare], 1 Mar. 1993, 10.
[38] Standard Chartered Bank, *Africa Quarterly Review*, 15.
[39] Economist Intelligence Unit, *Zambia: Country Profile* (1990), i, 9.

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In Zimbabwe the rise in the rate of inflation following the government's decision to relax price controls in 1991 led to a rapid escalation of prices for basic consumer goods. According to the consumer price index for the year ended 30 June 1991, prices for all items rose by 22 per cent compared with the previous year for the higher income group, while they rose by 23 per cent for the lower income group. In the same period, the cost of living for the lower income group rose by 16,4 per cent compared with 11,5 per cent for higher income groups. Transport prices rose the fastest for the lower income group, at 50,9 per cent, followed by food at 19,4 per cent.[40]

Following yet another dramatic increase in prices for basic consumer goods in Zimbabwe in 1992, the consumer price index for lower income urban families rose from 45 per cent in July to 53,9 per cent in October. The fastest growing categories in this index were foodstuffs and transport which were 64,7 per cent and 55,4 per cent higher, respectively, than a year earlier. Meanwhile the Zimbabwe Congress of Trade Unions reported that wage increases in 1992 amounted to only between 7 and 15 per cent — which implies a very substantial cut in the living standards of ordinary workers.[41]

The erosion of the real incomes of the poor means that even if the adjustment programme should succeed in increasing goods in the local shops, the cash-strapped poor still cannot afford them. For example, in Tanzania, after a whopping 160 per cent price increase for clothing, farm implements and textiles in October 1986 as a result of the devaluation of the Tanzanian Shilling, the British-based Economic Intelligence Unit reported that

> There is now a profusion of imported goods in the shops in Dar-es-Salaam and Arusha, reflecting the liberalization policy. . . . But most of these . . . items [are] selling at very high prices and [are] out of the range of the average Tanzanian consumer.[42]

It is clear from the above examples that IMF structural adjustment programmes lead to a serious decline in real incomes and living standards for the populations of the recipient countries in general but particularly for the poor.

Furthermore, the decline in real income levels is compounded by government cuts in public social spending in line with the requirements of the IMF. For example, in Sudan, development and social service spending were cut by half during the adjustment period of 1978 to 1985, leading to a

[40] D. Sparks, 'Economic trends in Africa south of the Sahara', in *Africa South of the Sahara 1992* (London, Europa, 1991), 36.

[41] Economist Intelligence Unit, *Zimbabwe: Country Profile* (1993), i, 15.

[42] Economic Intelligence Unit, *Tanzania, Mozambique: Country Report* (1987), i, 12.

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decline in nutritional standards and access to health care, clean water and affordable food supplies.[43] In Zambia, Tanzania and Ghana, diminished levels of immunization were recorded during the adjustment period as governments were compelled under the austerity regime to decrease their budgetary allocations for health.[44] In Zambia the deterioration in health services was partly the result of the fact that, as real wages fell in the 1980s, doctors and other health professionals emigrated to other countries in search of greener pastures.[45] Similarly, in Zimbabwe the removal of subsidies for basic consumer commodities and the ensuing sharp rise in prices eroded the standard of living and promoted a 'brain drain' of medical personnel who moved to other countries where opportunities were more promising.

As expenditure for health, education and other social services are cut, it is the poor (who cannot afford expensive private doctors and private schools) who bear the brunt of the austerity regime. Primary health-care facilities deteriorate, child immunization programmes are either suspended or curtailed, child-feeding programmes are put on hold and housing programmes for the poor are either scaled down or stopped completely. Perhaps most worrying is the fact that the lower income groups are unable to feed themselves adequately.

The International Research and Development Centre's survey of the effects of the adjustment programme in the Kambuzuma high-density suburb of Harare found that, as a result of massive increases in food prices, 'expenditure on food declined . . . by 23 per cent' for the poorest 25 per cent of Kambuzuma's population. As one of the interviewees clearly put it,

> I am the only provider for the family. My son has been retrenched. Where can he find work? Where? We now live from hand to mouth. We can't save a cent. We used to eat eggs and fruit. We used to have soft drinks. We now eat meat only once a week but even vegetables are expensive.

Another respondent summed up the situation neatly: 'Life is much harder now. If you can afford to eat, you eat. If you can't, you don't.'[46]

What statistics are available on the impact of the adjustment programmes in African countries indicate that the erosion of the living standards of the poor has far-reaching consequences for their health. A 1987 UNICEF study entitled *Adjustment with a Human Face* documented an increase in infant mortality and child death rates in Ghana and Zambia in

[43] Cheru, *The Silent Revolution in Africa*, 241.

[44] Sparks, 'Economic trends in Africa south of the Sahara'.

[45] Cheru, *The Silent Revolution in Africa*, 137.

[46] *The Daily Gazette*, 1 Mar. 1993, 10.

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the 1980s. Other indications of the negative impact of structural adjustment programmes were revealed in declining nutritional standards, and an increase in disease prevalence and decreasing access opportunities to health services. According to the study, Ghana reduced per capita expenditure for health in 1982/3 by 80 per cent of the 1974 level. The result was an increase in infant mortality rates from 86,0 per 1 000 in the 1970s to 107 per 1 000 in the 1980s, while child death rates also rose from 15 to between 25 and 30 per 1 000 in the same period. Malnutrition among pre-school children rose from 35 to 54 per cent between 1980 and 1984 while access to and use of health facilities declined considerably as charges were introduced by the government as part of its cost-recovery measures. Similarly, in Zambia the percentages of incidence of malnutrition as a cause of mortality for the 1–14 years age bracket increased from 27 to 43 per cent between 1978 and 1982.[47]

While reliable statistical evidence showing the programmes' impact on malnutrition and child mortality rates and attendance at hospitals in Zimbabwe since the introduction of the IMF programme is not available, impressionistic evidence suggests that the poor are beginning to avoid hospitals. This was spelt out during a Catholic seminar held at Silveira House, Harare, in January 1992:

> The introduction of hospital and treatment fees adds to the decline of the health situation. For example the attendance at clinics and at Musami Mission Hospital has dropped by over 25% since January 1991. This indicates that people who are unable [*sic*] just stay away. Lower statistics of attendance don't indicate a better health of people but people just suffer without medical care or even die at home because of lack of medical care.[48]

In addition to the effects outlined above, the poor are further disadvantaged as governments reduce expenditure in education and introduce cost-recovery measures by charging market rates for educational services which hitherto were either subsidized or provided free of charge. Reduction of expenditure on education leads to a deterioration of educational standards. A 1989 report on the state of education in Tanzania, for example, noted that, because of budgetary austerity, 'Tanzania's schools are suffering shortages of resources, particularly desks and books, which are hampering teaching. Many primary schools in rural areas have no books at all.'[49]

[47] UNICEF-Zambia, 'Situation Analysis of Children and Women in Zambia' (Lusaka, Zambia and UNICEF, mimeo., 1989), quoted in UNICEF, *Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth* (Oxford, Clarendon Press, 1987).

[48] P. Balleis, *The Social Implications of ESAP* (Harare, Silveira House, 1992), 6.

[49] Economist Intelligence Unit, *Tanzania and Mozambique: Country Report* (1989), iv, 12.

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Furthermore, education also suffers from a loss of teaching personnel as teachers, fed up with rising prices and declining standards of living, vote with their feet and move to other occupations or emigrate in search of greener pastures. Governments may also cut down on the number of their teaching staff. Because of deteriorating working conditions during the years of austerity, the Ghana school system lost no less than 4 000 qualified teachers between 1977 and 1981.[50] In Zaïre 7 000 teachers were taken off the government payroll in 1984 as a result of budget cuts.[51]

The combination of the loss of qualified personnel, low educational budgets, lack of adequate teaching aids and low morale among the teaching staff results in a serious decline in educational standards. The situation is worsened by the fact that sometimes the teachers who remain in the school system are compelled to supplement their incomes by engaging in other income-generating activities outside the classroom. For example, by 1992 Tanzanian teachers' disposable income had fallen so low that instructors 'even at university level are compelled to have two or more outside jobs to obtain a reasonable standard of living'.[52] Naturally enough, these teachers become less than effective in the classroom.

Cost-recovery measures in education frequently lead to a decline in student enrolment as parents find it more and more difficult to meet the escalating costs of school fees and uniforms and withdraw their children from school. When school fees were increased in 1982 in the Bendel province of Nigeria, primary school enrolment decreased from 90 to 60 per cent over the following 18 months.[53] Similarly, school enrolment declined sharply in Tanzania after the announcement by the Ministry of Education of increases of between 50 and 100 per cent in fees for secondary education in 1988 and a government statement that it would soon shift the burden of paying for university education from the state to university students and their parents. By 1989 only 70 per cent of children of school-going age were enrolled in school as compared to 80 per cent in 1984. The drop in the enrolment levels was attributed to the fact that the cost of education had become too high for low-income parents, while economic hardships meant that children were now required by their families 'to engage in immediately productive activities to supplement their families' income'.[54]

IMF structural adjustment programmes also increase unemployment levels in the recipient country. This is because the economic depression

[50] UNICEF, *Adjustment with a Human Face*, 29.

[51] Ibid., 73–4.

[52] Sparks, 'Economic trends in Africa south of the Sahara'.

[53] UNICEF, *Adjustment with a Human Face*, 34.

[54] Economist Intelligence Unit, *Tanzania and Mozambique: Country Report* (1989), i, 9.

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induced by IMF prescriptions frequently cripples the domestic capitalist sector and many local businessmen are forced either to go out of business or to curtail their operations. As companies contract or collapse, hundreds, if not thousands, of workers are made redundant.

According to the Employers' Confederation of Zimbabwe, 7 500 workers were retrenched in the country's mining and engineering industries between January and November 1992. The Zimbabwe Congress of Trade Unions gave a significantly higher figure and reported that 7 000, 6 000 and 3 000 jobs had been lost in the sugar, clothing/textile and leather industries by November 1992.[55] Meanwhile, it is estimated that, by the end of the adjustment programme, job losses will amount to approximately 23 000, 2 000, and 20 000 in the public service, in parastatals and in the private sector. Altogether, about 27 per cent of all workers who entered employment since Independence are likely to be retrenched by the end of the programme.[56] Those who retain their jobs may have to take wage cuts or wage freezes which are required by the measures of the austerity programme.

The unemployment problems in Zimbabwe will be compounded by the fact that there are over 200 000 school leavers every year who would have found it difficult enough to obtain jobs under normal circumstances but who are now never likely to become employed since IMF adjustment programmes lead to economic contraction rather than expansion.

To compound the problems further, the poor also run the risk of losing their homes as loss of income or high mortgage rates make it impossible for them to keep a roof over their heads. The Zimbabwean daily newspaper, *The Herald,* of 16 February 1993 reported that over a hundred houses, mostly in Harare's high-density suburbs, had been auctioned by building societies after their owners defaulted on mortgage payments. In the words of the chairman of the Association of Building Societies in Zimbabwe, Graham Hollick, the situation was likely to deteriorate 'as the number of people being retrenched increases, and . . . inflation continues at such a high level leading to a reduction in disposable income'.[57]

Given the disastrous impact of IMF programmes on the poor, it is not surprising that there have been anti-IMF riots in some Sub-Saharan countries. Examples abound of popular demonstrations against austerity measures judged by the urban poor to be injurious to their interests. For example, there were widespread demonstrations in Tanzania in December

[55] Economist Intelligence Unit, *Zimbabwe: Country Report* (1993), i, 14.

[56] L. M. Sachikonye, 'The new labour regime under SAP in Zimbabwe', in *Southern African Political and Economic Monthly (SAPEM)* (1992), V, vii, 41.

[57] *The Herald* [Harare], 16 Feb. 1993.

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1986 against a rail fare increase of between 150 and 200 per cent. In the same month, university students demonstrated for three days demanding higher book allowances because of the recent price increases.[58] In 1982 the Sudanese government's decision to end subsidies on basic commodities provoked major riots, while in 1985, demonstrations against bread and sugar price hikes marked the beginning of a ten-day popular uprising that eventually unseated the Nimeiri Government.[59] In 1986 Zambia witnessed widespread food riots in the Copperbelt which left 15 people dead, and in 1987 nurses, teachers and postal and telecommunications workers went on strike.[60] The implementation of IMF programmes promotes anti-government feelings and compounds the recipient governments' problems of how to manage opposition.

The IMF's second defence is that it promotes the redistribution of income from the urban to the rural producers in order to boost agricultural production. Evidence suggests that only large-scale and not small rural producers benefit from IMF programmes. The peasant producer who is supposed to benefit from higher prices for his commodities is in no position to produce enough to enable him to take advantage of the new prices. His small plot, already exhausted from years of overuse, cannot sustain such an expansion in production. In any case, the price hikes and removal of subsidies mean that inputs such as fertilizer become unaffordable. In general, the terms of trade for his primary products, like those for the nations' exports, are ever deteriorating so that, while he might sell more and earn more, he still cannot afford the manufactured products and agricultural inputs he must purchase from the cities.

The fact that peasant producers also suffer from the negative impact of structural adjustment programmes was demonstrated by the Tanzanian Prime Minister, Joseph Warioba, when he appealed to the president of the World Bank for his help in protecting not only the urban workers who were finding it difficult in the face of increased prices but also the small rural farmers who were suffering equally because of 'higher prices for agricultural inputs, lack of storage facilities for crops [and] poor transport'.[61] The poor, whether urban or rural, are caught in a no-win situation, whatever the IMF may claim. The economy may indeed become more efficient as a result of the structural adjustment exercise as the IMF representatives claim but it is clear that it is not the poor who benefit from this increased efficiency.

[58] Economist Intelligence Unit, *Tanzania and Mozambique: Country Report* (1987), i, 8.

[59] Predergast, 'Blood money for Sudan', 47.

[60] R. East (ed.), *Keesing's Record of World Events: Volume XXXIV (1988)* (Harlow, Longman, 1988), 35943. There were also food riots in the Copperbelt in 1989 and in Lusaka in 1990. For reports on these riots, see *Africa South of the Sahara 1993* (London, Europa, 1992), 1105.

[61] Economist Intelligence Unit, *Tanzania and Mozambique: Country Report* (1989), ii, 11.

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IMF structural adjustment programmes result in the suffering not only of the present poor but also of their children who will grow up sickly, poorly educated, unemployed and marginalized. The undesirable ripple effects of the IMF adjustment programme on the Zimbabwean people and economy are clearly spelt out by Fr. Balleis:

> Already now the number of school drop-outs at primary level is significant and might increase. The problem of street children is the most obvious indicator of this development. This means a new increase of illiteracy among the next generation and in general lower standards of education . . . Illiterate or badly educated children will have no chance at all to find a place in a modern economy in the years to come . . . . A low standard of education will be an obstacle to real economic growth itself.[62]

## CONCLUSION

From the above discussion it is evident that IMF structural adjustment programmes have a deleterious impact on the economies and peoples of the developing countries. Not only do they worsen the poverty of the majority of the populations of these countries but they also intensify the problems of dependency. Because it is not ideologically neutral and subscribes to the politico-economic philosophy of the industrialized countries, the IMF logically promotes the interests of the powerful industrialized countries at the expense of those of the developing countries.

It is interesting, for instance, that IMF 'advice' does not seek to help developing countries cut down on unnecessary imports and loans to minimize their balance-of-payments problems, as would be expected of an organization which seeks to help governments manage their economies, but coaches them, instead, on how to qualify for more foreign credit. This means, therefore, that IMF structural adjustment schemes are likely to offer only temporary relief to recipient countries without properly addressing the roots of the chronic problem of balance-of-payments disequilibrium.

That this should be the IMF's favoured strategy is not surprising since it is not in the interest of the industrialized countries to enable developing countries to stand on their own feet as this would make them less dependent. IMF programmes are a well-calculated attempt to perpetuate dependency and to foist on the poor countries a liberal or free-trade regime which has worked and will continue to work to the detriment of the economies of the poor countries. As one scholar has pointed out,

[62] Balleis, *The Social Implications of ESAP*, 7–8.

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The entire arsenal of IMF conditionality, which seems at first glance too complex, is actually reducible to the opening of the economy to imports and to foreign investment and technological exploitation . . . in the material interests of the countries which control the Fund and the Bank.[63].

The prevailing international economic order, based on the Smithian principles of comparative advantage and *laissez-faire* and controlled by a few rich countries, has created inequalities between the North and South which the current negotiations between the rich and poor countries in the North–South dialogue seek to redress. IMF programmes negate the goals of the North–South dialogue, apart from causing those problems already discussed. Governments which implement IMF structural adjustment programmes do so, therefore, at the risk of perpetuating rather than ending their economic problems and dependency.

Moreover, as has already been shown in the cases of Sudan, Tanzania and Zambia, IMF structural adjustment programmes can be costly in political terms for those governments which implement them. One study has shown that currency devaluation 'roughly triples the probability that the responsible finance minister will lose his job within the following year and roughly doubles the probability that the entire government will fall'.[64] While the precise accuracy of this claim can be questioned, there is little doubt that the austerity regime imposed by IMF programmes alienates the elected government from its people and may earn the hostility of the poor, the local businessmen and, indeed, the middle classes whose standard of living is eroded by the structural adjustment exercise.

Why then do governments in the developing countries continue to work with the IMF given the enormity of these problems? Governments resort to IMF funding and continue to struggle to implement IMF programmes despite the risk because they have no choice. They have walked into a trap from which there is no easy escape. The IMF is usually approached by borrowing countries as a last resort when there is no other alternative. The IMF wields enormous power in the global economy, not only because of the vast financial resources it commands but also because all other global financial organizations defer to its opinions. Consequently, very few international organizations will lend to a country which is not approved by the IMF. Developing countries which need external funding, therefore, have to accept the IMF conditions if they are to receive the loans they require.[65]

[63] Payer, 'The IMF and India', 66–82.

[64] T. Killick and M. Sutton, 'Disequilibria, financing and adjustment in developing country', in Killick (ed.), *Adjustment and Financing in the Developing World*, 66.

[65] Ibid.

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Governments find themselves in this untenable position partly as a result of external and other forces beyond their control but mostly because of their unwise and inappropriate development strategies. While little can be done to control the effects of the first category, much can be done to minimize the effects of the policies implemented by the governments themselves. Perhaps it is time that governments of the developing countries re-examined their priorities and re-shaped their development strategies in order to minimize foreign borrowing and to utilize resources, both local and borrowed, responsibly and productively, thus avoiding the perennial balance-of-payments problems that afflict most developing countries. The current developmental trajectory of most developing countries which leads eventually to the IMF and its conditionalities is a dead end.

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